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25-0129/112

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

CRS COST & BENEFIT PROTECTIONS FOR 2 CIVIL SERVICE
RETIREMENT PLAN FOR FED. EMP. COVERED BY SOC. SE

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6 MARCH 1985

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THE ATTACHED
CRS. COST ANALYSIS
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**Congressional Research Service
The Library of Congress**

Washington, D.C. 20540

January 14, 1985

TO : Honorable Ted Stevens
Attention: Mr. Jamie Cowen

FROM : Dennis Snook
Specialist in Social Legislation
Education and Public Welfare Division

SUBJECT : Cost and Benefit Projections for a Civil Service Retirement Plan
for Federal Employees Covered by Social Security

You have asked the Congressional Research Service (CRS) to project the plan costs and benefit distributions of a pension system proposed for Federal workers who became covered by social security as a result of the Social Security Amendments of 1983. This plan was developed by your office. The enclosed document constitutes our response to your request.

Data for this response were generated from the CRS retirement pension cost and replacement rate models. Certain details of the design necessary to accommodate the CRS analytic model were elaborated by CRS after consultation with your staff to be sure that these details were consistent with your general specifications. Analysts Carolyn Merck, Geoffrey Kollman, Michael O'Grady and Mary Pilote contributed to this response with additional research assistance from Michael Burke, all of the Education and Public Welfare Division. Edwin Hustead of Hay Associates provided actuarial assistance.

The response is divided into five sections:

- o Section I is a general description of the plan.
- o Section II compares the design's provisions to those of the current Civil Service Retirement System (CSRS).

- o Section III contains data from the cost projections.
- o Section IV displays graphically the benefit distributions for affected workers. Tables of the percentage of gross preretirement salaries replaced by benefits for selected workers retiring in 2030 are also included.
- o Section V is a brief description of the analytic framework, assumptions and actuarial models used to produce the response.

No attempt was made to analyze the desirability of this plan, its effect upon the Federal workforce or the sensitivity of the capital accumulation component to investment vehicles with rates of return different from those assumed for the basic cost projections. No assumption was made about current workers choosing to join the plan and all projections are accomplished using an "entry age normal cost" actuarial approach for new workers.

If you have any questions about this response or the methodology used to develop it, do not hesitate to call us.

Attachment



**Congressional Research Service
The Library of Congress**

Washington, D.C. 20540

**COST AND BENEFIT PROJECTIONS FOR A CIVIL SERVICE RETIREMENT
PLAN FOR FEDERAL EMPLOYEES COVERED BY SOCIAL SECURITY**

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January 14, 1985